

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Amber Township	County Mason
Audit Date 3/31/05	Opinion Date 9/7/05	Date Accountant Report Submitted to State: 9/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Brickley DeLong, PLC			
Street Address 500 Terrace Plaza, P.O. Box 999		City Muskegon	State MI
		ZIP 49443-0999	
Accountant Signature <i>Timothy D. Luter, C.P.A. for Brickley DeLong, PLC</i>		Date 9/30/05	

Amber Township
Mason County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2005

Amber Township

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As management of Amber Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Amber Township for the fiscal year ended March 31, 2005. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter. To those familiar with this prior year financial statements or just new to this document, it is important to know that the Township is presenting this analysis along with these statements in a new format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34).

FINANCIAL HIGHLIGHTS

- Assets of the Township exceeded liabilities of \$124,560 at the close of the fiscal year by \$1,080,422 (net assets). Of this amount, \$962,498 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors.
- The Township drew on a loan from a local bank in the amount of \$24,000 to complete road projects within the township.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Amber Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Amber Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories—governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Amber Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Downtown Development Authority, which are considered major funds. The second governmental fund is the Downtown Development Authority.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and the Downtown Development Authority.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for Amber Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2005, the Township's net assets from governmental activities totaled \$1,080,422. Since this is the first year the Township has prepared financial statements following GASB 34, comparisons to fiscal year 2004 are not available. However, these comparison schedules will be provided in future years.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually are \$962,498. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

Net Assets

	Governmental Activities 2005
<u>Assets</u>	
Current assets and other assets	\$ 1,087,058
Capital assets	117,924
Total assets	<u>1,204,982</u>
<u>Liabilities</u>	
Current liabilities	38,362
Noncurrent liabilities	86,198
Total liabilities	<u>124,560</u>
<u>Net assets</u>	
Invested in capital assets, net of related debt	117,924
Unrestricted	962,498
Total net assets	<u>\$ 1,080,422</u>

Governmental Activities

Governmental activities net assets increased by \$93,953 (9.5%) during the 2005 fiscal year. With all of the Township's governmental operations combined, the net result was that its operating revenues exceeded its operating expenditures, resulting in an increase in net assets. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Change in Net Assets

	Governmental Activities 2005
Revenues:	
Program revenues	
Charge for services	\$ 23,307
Operating grants	2,726
General revenues	
Property taxes	305,731
Grants and contributions not restricted	139,288
Unrestricted investment earning	16,645
Total revenues	487,697
Expenses:	
General government	125,482
Public safety	17,052
Public works	246,309
Interest on long-term debt	4,901
Total expenses	393,744
Increase in net assets	93,953
Net assets - April 1, 2004	986,469
Net assets - March 31, 2005	\$ 1,080,422

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Amber Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2005 fiscal year, Amber Township governmental funds reported a combined unreserved fund balance of \$1,079,919. This number represents the unreserved fund balance \$365,024 in the General Fund and \$714,895 in Downtown Development Authority.

General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. The most significant of those is listed below:

- An increase in the road budget to pay a loan for road work done in prior years.
- An increase in the water and sewer line item for the first payment made to the county for a sewer project.
- A decrease in the contingency budget line item as the budget was shifted to other budgetary line items as needed.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Charges for service were over budget due to unexpected timber sales on land owned by the township.
- Investment earnings were higher than budget due to a slight increase in cash and investments held by the township, and an increase in interest rates.
- Road expenditures were under budget due to Townships debt payment being recorded as a debt service pavement. The debt service principal and interest payments are over budget for the same reason.
- The Downtown Development Authorities budget for public work was not spent in the current year, but will be spent in future years on a sewer project.
- The expenditures for public safety were higher than budget due to unexpected fire training.

Capital Assets.

Amber Township investment in capital assets for its governmental activities as of March 31, 2005 totaled \$117,924 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

There were no major capital assets purchased or disposed of in the current fiscal year.

**Capital Assets
(Net of Accumulated Depreciation)**

	Governmental Activities 2005
Land	\$ 29,316
Buildings and improvements	88,608
Equipment	-
Total	<u>\$ 117,924</u>

Additional information on the Township's capital assets can be found in Note 4 of the "Notes to the Financial Statements" of this report.

Long-Term Debt

The Township maintains a loan payable in annual installments. During the year ended March 31, 2005 the Township drew an additional \$24,000 on the loan and paid of \$28,802 in principal, resulting in a net decrease in loans payable. As of March 31, 2005, the balance of the Township's loan was \$117,421.

General Economic Overview

Amber Township has set fiscal accountability and financial stability as its number one priority. This is also its greatest challenge.

The Township's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 88% of the General Fund revenue sources. In fiscal 2006, state revenue sharing is expected to continue to decline. Property tax revenues will likely remain flat due to any increase in value being captured by the Downtown Development Authority.

The Township is one of the fastest growing townships in the county. This is due to location and the Township believes the growth trend will continue.

Requests for Information

This financial report is designed to provide a general overview of Amber Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Amber Township, 171 South Amber Road, Scottville, MI 49454, (231) 757-7160.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

September 7, 2005

Members of the Township Board
Amber Township
Whitehall, Michigan

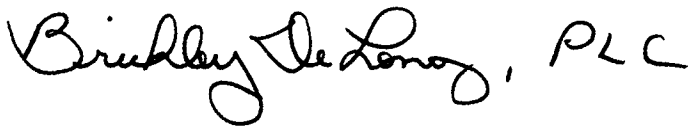
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Amber Township as of and for the year ended March 31, 2005, which collectively comprise the Township's financial statements as listed in the table of contents. These financial statements are the responsibility of Amber Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Amber Township, as of March 31, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, Amber Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages i through vi and 19 and 20 are not a required part of the basic financial statement but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.



Amber Township
STATEMENT OF NET ASSETS
 March 31, 2005

ASSETS

	<u>Governmental activities</u>
CURRENT ASSETS	
Cash and investments	\$ 1,055,520
Receivables	9,849
Due from other governmental units	<u>21,689</u>
Total current assets	1,087,058
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	29,316
Depreciable	<u>88,608</u>
Total capital assets	<u>117,924</u>
Total assets	1,204,982
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	7,139
Bonds, capital leases and contracts, due within one year	<u>31,223</u>
Total current liabilities	38,362
NONCURRENT LIABILITIES	
Bonds, capital leases and contracts, less amounts due within one year	<u>86,198</u>
Total liabilities	<u>124,560</u>
NET ASSETS	
Invested in capital assets, net of related debt	117,924
Unrestricted	<u>962,498</u>
Total net assets	<u><u>\$ 1,080,422</u></u>

The accompanying notes are an integral part of this statement.

Amber Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2005

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>		Net (Expenses)
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	Revenue and Changes in Net Assets
Governmental activities				<u>Governmental activities</u>
General government	\$ 125,482	\$ 23,307	\$ -	\$ (102,175)
Public safety	17,052	-	-	(17,052)
Public works	246,309	-	2,726	(243,583)
Interest on long-term debt	<u>4,901</u>	<u>-</u>	<u>-</u>	<u>(4,901)</u>
Total	<u>\$ 393,744</u>	<u>\$ 23,307</u>	<u>\$ 2,726</u>	(367,711)
General revenues				
Property taxes, levied for general purposes				305,731
Grants and contributions not restricted to specific programs				139,288
Unrestricted investment earnings				<u>16,645</u>
Total general revenues				<u>461,664</u>
Change in net assets				93,953
Net assets at April 1, 2004				<u>986,469</u>
Net assets at March 31, 2005				<u>\$ 1,080,422</u>

The accompanying notes are an integral part of this statement.

Amber Township
BALANCE SHEET
 Governmental Funds
 March 31, 2005

	General Fund	Downtown Development Authority	Total governmental funds
ASSETS			
Cash and investments	\$ 340,625	\$ 714,895	\$ 1,055,520
Taxes receivable	9,849	-	9,849
Due from other governmental units	21,689	-	21,689
Total assets	<u>\$ 372,163</u>	<u>\$ 714,895</u>	<u>\$ 1,087,058</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 7,139	\$ -	\$ 7,139
Fund balances			
Unreserved			
General fund	365,024	-	365,024
Special revenue fund	-	714,895	714,895
Total fund balances	<u>365,024</u>	<u>714,895</u>	<u>1,079,919</u>
Total liabilities and fund balances	<u>\$ 372,163</u>	<u>\$ 714,895</u>	<u>\$ 1,087,058</u>

The accompanying notes are an integral part of this statement.

Amber Township
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**
March 31, 2005

Total fund balance—governmental funds	\$ 1,079,919
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 157,899	
Accumulated depreciation	<u>(39,975)</u>	117,924

Long-term liabilities in governmental activities are not due and payable in the current period
and are not reported in the governmental funds.

Note payable	<u>(117,421)</u>
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Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>1,080,422</u></u>
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The accompanying notes are an integral part of this statement.

Amber Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended March 31, 2005

	General Fund	Downtown Development Authority	Total governmental funds
REVENUES			
Property taxes	\$ 90,673	\$ 215,059	\$ 305,732
Intergovernmental revenues - state	142,014	-	142,014
Charges for services	23,307	-	23,307
Investment earnings	9,179	7,466	16,645
Total revenues	265,173	222,525	487,698
EXPENDITURES			
Current			
General government	120,527	850	121,377
Public safety	17,052	-	17,052
Public works	90,341	155,969	246,310
Community and economic development	50	-	50
Other governmental functions	890	-	890
Debt service			
Principal	28,802	-	28,802
Interest and fees	4,901	-	4,901
Total expenditures	262,563	156,819	419,382
Excess of revenues over (under) expenditures	2,610	65,706	68,316
OTHER FINANCING SOURCES			
Proceeds from long-term debt	24,000	-	24,000
Net change in fund balances	26,610	65,706	92,316
Fund balances at April 1, 2004	338,414	649,189	987,603
Fund balances at March 31, 2005	\$ 365,024	\$ 714,895	\$ 1,079,919

The accompanying notes are an integral part of this statement.

Amber Township
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
For the year ended March 31, 2005

Net change in fund balances—total governmental funds:	\$ 92,316
Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.	
Depreciation expense	(3,165)
Proceeds from bond issuance is an other financing source in the governmental funds, but the proceeds increase long-term debt in the Statement of Net Assets.	(24,000)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	<u>28,802</u>
Change in net assets of governmental activities	<u><u>\$ 93,953</u></u>

The accompanying notes are an integral part of this statement.

Amber Township
STATEMENT OF FIDUCIARY NET ASSETS
 Fiduciary Funds
 March 31, 2005

	<u>Employee Benefit Plan</u>	<u>Private Purpose Trust Fund - Simple</u>	<u>Tax Collection- Agency Fund</u>
ASSETS			
Cash and cash equivalents	\$ 38,077	\$ 375	\$ 2,753
LIABILITIES			
Due to other governments	<u>-</u>	<u>375</u>	<u>2,753</u>
NET ASSETS			
Held in trust for benefits and other purposes	\$ <u><u>38,077</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of this statement.

Amber Township
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds
For the year ended March 31, 2005

	Employee Benefit Plan
ADDITIONS	
Contributions	
Employer	\$ 3,502
Plan members	<u>1,167</u>
Total contributions	4,669
Interest	<u>1,243</u>
Change in net assets	5,912
Net assets at July 1, 2004	<u>32,165</u>
Net assets at June 30, 2005	<u><u>\$ 38,077</u></u>

The accompanying notes are an integral part of this statement.

Amber Township
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Amber Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Effective April 1, 2004, the Township and component units adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

The beginning net assets restated for the effects of implementation of GASB Statement No. 34 are as follows:

Fund balances at April 1, 2004—governmental funds	\$ 987,603
Capital assets, net	121,089
Long-term liabilities	<u>(122,223)</u>
Restated net assets at April 1, 2004	<u>\$ 986,469</u>

1. Reporting Entity

Amber Township (Township) is a common law township governed by a supervisor and an elected five-member board.

In accordance with generally accepted accounting principles and *Government Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity"*, these financial statements present the Township and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The blended component unit has a March 31 fiscal year end.

Blended component unit. The blended component unit reported by the Township is the Downtown Development Authority (DDA). The DDA board is appointed by the Township Board. The DDA board cannot authorize and issue debt independent from the Township. The DDA is presented as a special revenue fund.

Amber Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amber Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Downtown Development Authority is used to improve the Township's infrastructure.

Additionally, the Township reports the following fund types:

The Pension Trust Fund accounts for the activities of the Township's employees retirement plan, which accumulates resources for pension benefit payments.

The Agency Fund accounts for assets the Township holds on behalf of others.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Assets, Liabilities and Net Assets or Equity

a. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

The component unit's cash and investments are maintained within the Township's investment pool. All investments are stated at fair value.

The Township's pension trust investments are held in trust by the investment fiduciary, John Hancock. Michigan Compiled Laws, Section 38.1132, authorizes the Township's plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property.

Amber Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 state taxable value for real/personal property of the Township totaled approximately \$85,700,000 of which approximately \$17,000,000 was captured by the Downtown Development Authority (DDA). The ad valorem taxes levied consisted of .9098 mills for the Township's operating purposes. These amounts are recognized in the respective General Fund and DDA.

c. Capital Assets

Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-40
Equipment	5-10

Amber Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

d. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

e. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

f. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.

Amber Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

1. Budgetary Information—Continued

- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

2. Budget Violations

For the year ended March 31, 2005, actual expenditures exceeded appropriations for the fire activities by \$7,052, for Board activities by \$2,300 and for payments of debt and interest by \$33,703.

NOTE C—DEPOSITS AND INVESTMENTS

1. Deposits

The Township's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions' trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of March 31, 2005, the Township's and component units' carrying amount of deposits was \$4,148, and the bank balance was \$15,404. Of the bank balance, \$15,404 was covered by federal depository insurance.

2. Investments

As of March 31, 2005, the Township's and component units' investments represented holdings in certificates of deposit, investment pools and mutual funds. During the year ended March 31, 2005, the Township's investments were only in these types of investments.

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered, or the securities held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. The state-approved investment pools are not categorized as they are synonymous with mutual funds. As of March 31, 2005, the Township's fair value in those pools and mutual funds were \$791,670.

	Fair Category			value amount
	<u>1</u>	<u>2</u>	<u>3</u>	
Certificates of deposit	\$ <u>132,218</u>	\$ <u>130,612</u>	\$ <u>-</u>	\$ <u>262,830</u>

The composition of pension trust fund investments at fair value is included in the previous paragraph and shown in the following table:

Guaranteed income funds	\$ <u>38,077</u>
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Amber Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Balance</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>March 31, 2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 29,316	\$ -	\$ -	\$ 29,316
Capital assets, being depreciated:				
Buildings and other improvements	126,583	-	-	126,583
Equipment	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Total capital assets, being depreciated	<u>128,583</u>	<u>-</u>	<u>-</u>	<u>128,583</u>
Less accumulated depreciation for:				
Buildings and other improvements	34,810	3,165	-	37,975
Equipment	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Total accumulated depreciation	<u>36,810</u>	<u>3,165</u>	<u>-</u>	<u>39,975</u>
Total capital assets, being depreciated, net	<u>91,773</u>	<u>3,165</u>	<u>-</u>	<u>88,608</u>
Capital assets, net	<u>\$ 121,089</u>	<u>\$ (3,165)</u>	<u>\$ -</u>	<u>\$ 117,924</u>

Government activities:

Depreciation

Depreciation expense of \$3,165 was charged to general government.

NOTE E—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2005.

	<u>Balance</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>March 31, 2005</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Note payable	\$ <u>122,223</u>	\$ <u>24,000</u>	\$ <u>28,802</u>	\$ <u>117,421</u>	\$ <u>31,223</u>
General obligation bonds:					
Note payable to bank due in annual installments of \$33,552, including interest through April 2008; interest at 3.25%				<u>\$ 117,421</u>	

Annual debt service requirements to maturity for debt outstanding as of March 31, 2005 follows:

<u>Year ending</u> <u>March 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 31,223	\$ 2,329
2007	30,710	2,842
2008	31,776	1,776
2009	<u>23,712</u>	<u>745</u>
Total	<u>\$ 117,421</u>	<u>\$ 7,692</u>

Amber Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE F—OTHER INFORMATION

1. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

2. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

3. Commitments

In April 2003, the Township entered into an agreement with Mason County to issue \$4,000,000 in general obligation bonds to fund the County sewage disposal project. The Township's debt service percentage is 37.58 percent and is payable in interest only payments until April 2005 and in annual installments of principal and interest thereafter through April 2043. The bonds will be funded by DDA property tax revenues.

4. Guarantees

The Township and various other entities are guarantors of an equipment financing agreement of the Mason County Rural Fire Authority. Management anticipates no loss as a result of its share of the \$610,000 guarantee.

NOTE G—PENSION PLAN

The Township provides pension benefits for all of its board members through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township adopted a defined contribution pension plan, effective April 20, 1969, with the Manufacturer's Life Insurance Company. The annuity formula or schedule is based upon \$100 contribution per employee earning less than \$300 annually; \$200 for those earning \$300 or more but less than \$600; \$300 for those earning \$600 or more but less than \$900; \$400 for those earning \$900 or more but less than \$1,200; \$500 for those earning \$1,200 or more but less than \$1,500; and \$600 for those earning \$1,500 or more.

For the year ended March 31, 2005, the contribution to the Plan by the Township was \$3,502.

NOTE H—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 54 percent of General Fund revenues.

REQUIRED SUPPLEMENTAL INFORMATION

Amber Township
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2005

	Budgeted amounts			Variance with final budget- Positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 94,900	\$ 94,900	\$ 90,673	\$ (4,227)
Sales and miscellaneous taxes	2,020	2,020	-	(2,020)
Intergovernmental revenues - state	143,000	143,000	142,014	(986)
Charges for services	1,100	1,100	23,307	22,207
Investment earnings	3,500	3,500	9,179	5,679
Miscellaneous	300	300	-	(300)
Total revenues	244,820	244,820	265,173	20,353
EXPENDITURES				
Current				
General government				
Board	22,000	18,000	20,300	(2,300)
Supervisor	12,000	11,000	11,115	(115)
Elections	4,000	5,000	4,588	412
Board of review	2,000	1,000	1,014	(14)
Clerk	18,000	18,000	17,352	648
Treasurer	23,000	23,000	21,600	1,400
Assessor	26,000	24,000	22,074	1,926
Township hall	20,000	22,000	19,824	2,176
Land division	100	100	-	100
Cemetery	3,000	3,000	2,660	340
Public safety				
Fire	15,000	10,000	17,052	(7,052)
Public works				
Roads	80,000	103,700	69,828	33,872
Water and Sewer	2,000	20,900	20,513	387
Community and economic development	2,500	800	50	750
Other governmental functions				
Contingency	15,220	-	-	-
Tax tribunal	-	-	890	(890)
Debt service				
Principal	-	-	28,802	(28,802)
Interest and fees	-	-	4,901	(4,901)
Total expenditures	244,820	260,500	262,563	(2,063)
Excess (deficiency) of revenues over expenditures	-	(15,680)	2,610	18,290
OTHER FINANCING SOURCES				
Proceeds from long term debt	-	-	24,000	24,000
Net change in fund balances	\$ -	\$ (15,680)	26,610	\$ 42,290
Fund balance at April 1, 2004			338,414	
Fund balance at March 31, 2005			\$ 365,024	

Amber Township
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE

Downtown Development Authority
For the year ended March 31, 2005

	Budgeted amounts			Variance with final budget- Positive (negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 220,000	\$ 220,000	\$ 215,059	\$ (4,941)
Investment earnings	7,000	7,000	7,466	466
Total revenues	<u>227,000</u>	<u>227,000</u>	<u>222,525</u>	<u>(4,475)</u>
EXPENDITURES				
Current				
General government	3,000	3,000	850	2,150
Public works	873,000	873,000	155,969	717,031
Total expenditures	<u>876,000</u>	<u>876,000</u>	<u>156,819</u>	<u>719,181</u>
Net change in fund balance	\$ <u>(649,000)</u>	\$ <u>(649,000)</u>	65,706	\$ <u>714,706</u>
Fund balance at April 1, 2004			<u>649,189</u>	
Fund balance at March 31, 2005			<u>\$ 714,895</u>	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

September 7, 2005

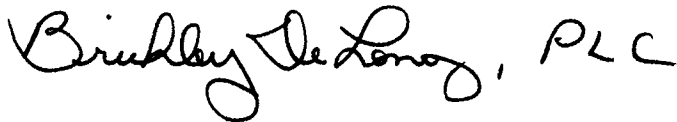
Township Board
Amber Township
Scottville, Michigan

In planning and performing our audit of the general purpose financial statements of Amber Township for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Amber Township's ability to initiate, record, process and report financial data consistent with the assertions of management in the general purpose financial statements. We have attached a summary of the reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above are believed to be material weaknesses.

This report is intended for the information of the Township Board, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

REPORTABLE CONDITIONS

Recommendation 1: Bank reconciliations should be completed on a monthly basis and reconciling items should be explained.

During our testing, we noted that bank reconciliations were not reconciled to the general ledger and reconciling items were not readily identifiable due to non-existing or inadequate explanation of items.

Reconciliations for all bank accounts should be reconciled to the ledger on a monthly basis with adequate explanation of reconciling items. This procedure is essential to provide accurate reporting of cash balances and to identify necessary general ledger adjustments.

Recommendation 2: The internal control procedures should be further segregated.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining an accounting system with strong internal accounting controls including significant segregation of duties.

The Township should continue using its current accounting system, but seek opportunities to further segregate duties and strengthen internal controls. Often, the most effective approach is the expansion of documented approval of transactions and reconciliations by the Township Board and chief executive officer.